



The \$5 Billion Misunderstanding: The Collapse of the Navy's A-12 Stealth Bomber Program

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In the first few pages of the *\$5 Billion Misunderstanding*, the reader immediately feels the author's disbelief, anger, and disappointment with the actors and events leading to the cancellation of the A-12 "Avenger" Carrier-Based Strike Aircraft Program in January 1991. The ramifications of that cancellation still sends uncomfortable ripples of emotion throughout the U.S. defense acquisition community. The turbulence of the A-12 program found itself against

the backdrop of the reorganization of the Department of Defense (DOD) under the Goldwater-Nichols Act of 1986; force posture reductions by General Colin Powell (then Chairman of the Joint Chiefs of Staff) towards the end of the Cold War; and during the first Gulf War in the early 1990s. The author, James P. Stevenson, provides a well-documented, well-researched, and a highly technical account of the beginnings of stealth aircraft technology; the costly technical challenges of the nearly \$5 billion A-12 program; and the intertwined actors involved in the fateful program including DOD officials, defense contractors from Northrop, McDonnell Douglas (now Boeing), and General Dynamics, and Members of the U.S. Congress.

Mr. Stevenson's central thesis was his assessment of how senior-level officials within the Department of the Navy violated the Anti-Deficiency Act through its awarding of a contract to develop the A-12 aircraft without the legal authorizations, or appropriations from Congress. The author crafts a story of the doomed A-12 program like a mystery novel where he uncovers the seemingly lack of awareness among several senior-level officials at the Office of the Secretary of Defense (OSD) regarding the most troubling aspects of the A-12 program. Mr. Stevenson also describes how many lower echelon Navy and OSD policy and cost officials willingly provided misinformation, and, at times, false information to those senior officials including former Secretary of Defense Dick Cheney.

*The \$5 Billion Dollar Misunderstanding* raises the ongoing debate around the appropriate use of contract types: firm-fixed price (FFP) development contracts and cost-reimbursement contracts. Under a FFP development contract, requirements are stable, prices are fixed, the technologies are mature, and contractors have the capability to absorb necessary costs. With a

cost-reimbursement contract, requirements are less defined, costs and technical integration issues are undetermined, and the U.S. government collaborates with contractors on a cost-share ratio basis at a pre-established cost ceiling. The author notes that senior-level Navy leadership had a fundamental misunderstanding of the two contract types believing they awarded a cost-reimbursement contract when they, in fact, awarded the winners of the A-12 contract to the McDonnell Douglas-General Dynamics team with a FFP development contract. This misunderstanding proved detrimental where the Navy neither defined its requirements nor addressed the immature stealth technologies, aircraft weight challenges, and composite materials designed for the A-12. Simultaneously, the contractor team could not absorb the massive cost overruns in their attempt to employ those untested technologies. As a result of the A-12 program, the passage of the 1988 National Defense Authorization Act (NDAA) by the Reagan Administration placed a prohibition on FFP development contracts for programs over \$10 million (which was later reversed by the 2007 NDAA).

*The \$5 Billion Dollar Misunderstanding* is an excellent tome for those wanting to learn the lessons of the canceled A-12 program. However, the reader must be steeped in defense acquisition and federal contracting principles such as acquisition phases and milestones, Pre-Planned Product Improvement (now called Evolutionary Acquisition), or advanced payment contracting vehicles. In addition, the reader would have benefited with an enumerated list of all the actors and their roles in the A-12 program such as Secretary of the Navy Larry Garrett (who later resigned in the wake of the Tailhook scandal), or Les Aspin (then Chair of the House Armed Services Committee during the Congressional A-12 investigation who later became

Secretary of Defense). Despite these shortcomings, the *\$5 Billion Dollar Misunderstanding* should be required reading for the defense acquisition workforce at all certification levels.